AGENDA ITEM 13

New Bus for London

TRANSPORT FOR LONDON

PROJECT REVIEW GROUP

PROJECT: NEW BUS FOR LONDON

DATE: 18 FEBRUARY 2010

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1 EXECUTIVE SUMMARY PURPOSE AND DECISION REQUIRED

1.1 The purpose of this paper is to provide an update to PRG on actions that have been taken following the conditional approval at Gate D of the New Bus for London project at PRG on 18 December 2009, and exceptionally to provide an update on progress on the project to date.

2 IPMO REPORT AND RECOMMENDATIONS

2.1 The project has now addressed all bar 4 items on the IPMO report that accompanied the paper presented on 18 December. The recommendations and the responses given are covered in the attached response paper. The items which are still open are the following:

- *Item 3: Secondary Issue S1: Internal Governance Approvals to be defined*

  This item cannot be completed until the corresponding project approvals regime has been completed and submitted to TfL by Wrightbus. The contractor is currently finalising their baseline project plan and stage approvals process and the TfL process will have to be consistent with it. The project intends to adopt the template process used by the Countdown II project to ensure that change control is fully and adequately managed at the appropriate level. It is expected that this will now be complete by the end of February. The governance and change control procedure will presented to PRG when

- *Item 4: Secondary Issue S2: Governance process post award to be defined*

  (See response to item 3 above)

- *Item 10: Secondary Issue S6: Funding options for production phase not defined*

  This is not a critical action for this phase of the project. When the roll out plan is more developed the options for funding this phase will be explored in more detail. The appropriate authority route will be followed in due course.

- *Item 15: Critical Issue C8: Contingency in project plan*

TfL is working actively with Wrightbus to optimise and identify any opportunities for contingency in the project plan. The baseline project plan has not yet been submitted to TfL.

3 PROJECT UPDATE

3.1 Since the contract award date Wrightbus have made initial progress with the underlying engineering design of the major structural frame, and have entered into negotiations with the principal component suppliers.

3.2 Work is progressing on an engineering mock-up which is expected to be available for functional and geometric testing in March

3.3 Following recommendations made during the final evaluation process, TfL has asked Wrightbus to review the styling proposals and they are currently engaged in refining their concepts. Whilst this has impacted on their original plans for the design and prototyping of the major composite components (such as the front & rear body shapes), we do not believe that this will have an adverse impact on the final delivery milestone.

4 RECOMMENDATION

4.1 The PRG is asked to note the contents of this paper.

5 ATTACHMENT(S)

Summary of attachments

5.1 Appendix 1: Project response to IPMO report

Appendix 1 – Project response to IMPO Report

Ref. No	Query	Recommendation	Response	Status
1	**Critical issue C1** Key project documentation summarising project objectives, requirements and outcomes have not been developed/completed	Agree business case Confirm scope of D&D, scope of production, key assumptions	Recommendation met. These have now been included in the Business Case	CLOSED
2	**Critical Issue C2** Whilst there is no commitment to proceed with production, tendered prices for production are heavily caveated and may be unreliable.	Clarify maximum price for production before contract award.	Recommendation met. Schedule 4 includes the maximum prices for production vehicles in accordance with the specification. The Contract Sub-Clause 17.13 sets out the detail on how the Price Review Board, the body which will agree any variance in price, will work and that prices are fixed until 31 Dec 2012.	CLOSED
3	**Secondary Issue S1** Change control processes for contract and design changes are not in -place	Define and implement change control processes and appropriate governance arrangement for contract design changes. [These processes will be defined in month 1 of D&D]	Recommendation met. A comprehensive Change Control mechanism is included in Schedule 12 of the contract. **v5**: Internal Governance for approvals is to be defined.	OPEN Awaiting finalisation of contractor's baseline project plan and approvals requirements
4	**Secondary Issue S2:** Governance arrangements for post-contract award have not been defined, in particular design authority arrangements.	Define and establish governance arrangements to control design/technical and commercial elements of programme	These will be established post-award. **v3**: It has been agreed that the internal governance arrangements will be provided by 31 Jan 2010 (action DHG)	OPEN Awaiting finalisation of contractor's baseline project plan and approvals requirements
5	**Secondary Issue S3:** There are no communications/stakeholder management plans	Define plans for engaging key stakeholders from contract award and onward. In particular, operators need to be more involved in this project.	Recommendation met. There are outline plans have been prepared by Comms & Stakeholder Engagement based around key milestone events. This also includes press & media.	CLOSED

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			Operators have been kept appraised through BOF meetings. Accepted the Operator Panel has not met recently. Will be address in early new year post award. **v5**: A copy of the current communication plan has been sent to IPMO	
6	**Critical Issue C4** Project Estimate does not take account of risk that should termination occur before start of production, additional costs will be incurred by TfL.	Quantify risk of termination	Recommendation met. Contract liability for termination will not exceed the contract value as there is no liability for production costs unless vehicles are ordered and as noted under Critical Issue C2 and PRG Paper paragraph 3.9 noting that there isn't any commitment to production. Actual liability would depend on the termination date.	CLOSED
7	**Critical Issue C5:** Funding for D&D is significantly higher than the original budget impacting the possible affordability of the project	Address funding shortfall	Recommendation met. The additional funding has been requested via the Q3 reforecast	CLOSED
8	**Secondary issue S4:** The contract is not clear as to what would be included as acceptable reimbursable costs	Clarify position with bidders	The limitation is the maximum of the previously agreed and paid milestone plus any incurred or committed costs at the point of termination. At most it cannot exceed the value of the contract	CLOSED
9	**Secondary issue S5:** Responsibility is not clearly defined as to who owns which risks	Clarify risk responsibilities	Accepted. **v3**: Wrightbus is responsible for delivery against the specification for the fixed price that is in the contract. Wrightbus therefore carries all risk associated with delivering the agreed specification to time, bearing in mind that this has been extensively negotiated with them to ensure that it is realistic. If they are able to deliver all this at less than the cost they have specified it will be their benefit, if not then it will be their cost. Given that the technology and supply chain have been developed by Wrightbus and that they control these activities I think this is the correct place for the risk.	CLOSED An updated risk schedule has been provided to IPMO showing the breakdown of the risk budget

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			The risk that we bear is that if we change the specification and this impacts the cost/ time then we will have to accept the consequences. TfL are in control of this process through the Contract Change process included in the contract. Ultimately after the fixed price period both parties will to some extent bear the risk of changes to base costs and the impact of the movement in the hybrid bus market but this is to be managed through the Price Review Board with an "open book" approach, however this phase is beyond the scope of the current project authority. With regards any risk in exchange rates, this is borne by the contractor. There is cost provisioned in the Risk Register for the mitigation actions to respond to any specific risk should it occur. This has now been reviewed and amended to include the total of 15% as stated in the PRG paper. **v5**: A copy of the risk schedule has been supplied to IPMO which shows the allocation of resources for each mitigation measure (where appropriate). A joint risk workshop with Wrightbus will be established in due course	
10	**Secondary Issue S6:** Funding options for production have not been determined	Clarify funding options for production stage	This will be undertaken at a later stage prior to any commitment to a production order being placed. The appropriate level of authority will be sought.	OPEN
11	**Secondary Issue S8** Funding Route for production not identified in any TfL business plans. Final solution may require contract amendments.	TfL need to decide how the procurement of the buses is to be funded – if it cannot be funded there is a real risk that TfL will commit to getting 5 expensive prototypes and a claim for Lost profits.	This is incorrect. As noted in Critical Issue C2 PRG Paper paragraph 3.9 noting that there isn't any commitment to production, and therefore no liability for any production related costs or claims of any sort. Section 3.6 paragraph 4in PRG paper confirms that development costs are not amortised into production and this has been specifically discussed with bidders. See also Paragraph 3.9 of PRG paper.	CLOSED

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			This is well understood by the bidders.	
12	**Secondary Issue S9:** Bidders schedules have underestimated the potential time required to obtain type approval	Seek to obtain approval in principle to the open platform concept from the type approval body at the start of D&D.	Meeting planned with DfT & manufacturer on 11 Jan 2010 to map out this process. **v3**: We have had a number of constructive and positive meetings with DfT, VOSA and VCA and the bidders and these will continue during the course of the contract. Our strategy is to ensure continuous engagement with the certifying agencies to ensure all parties understand the issues as they develop. A further meeting is planned to be held on 11 Jan 2010 with the contractor and the certifying agencies. The contractor has allowed sufficient time for certification to take place but this cannot take place until a "real" vehicle is presented to the inspectors. The earliest this can happen will be mid 2011 when a prototype vehicle is delivered. **v5:** Meeting held with DfT on 11/1/2010. Dialogue and meetings will continue with Wrightbus (facilitated by TfL where appropriate) to ensure that certification will be successful when the vehicles are eventually presented for inspection. A copy of a joint TfL/Wrightbus paper to the DfT on certification has also been supplied to IPMO.	CLOSED
13	**Critical Issue C7:** Project management support is insufficient and needs to be strengthened	Secure full time project management support resource	Recommendation met. **v3**: We have recently reviewed the resource requirement for the project and this is as stated in the Business Case. We believe this is adequate for the project. The Project SRO confirms that there will be a full time project manager and project support officer, with a technical consultant engaged on a formal basis. Other support resources from Procurement, Finance, Legal and Fleet Engineering have been committed to the project as required.	CLOSED The role of project support Officer has been approved and the recruitment process is underway
14	**Secondary Issue S10:** Risks are not being proactively managed.	Develop comprehensive risk register and establish risk	Recommendation met. Risk register in place. Will be actively managed through regular project reviews.	CLOSED Risk being actively managed and

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		management processes.		reported through Project Board
15	**Critical Issue C8:** There is insufficient contingency in the D&D project plan	Review plan and undertake risk analysis. Clarify contingency arrangements with preferred supplier	Agreed. **v3**: The project is constrained by both the start and end dates, the latter being set by the Mayor's objectives for the project. The project team will work with the contractor to ensure that the project timeline is adhered to. Milestone 0 (zero) – due to be achieved by the end of January 2010 – will confirm the detailed baseline project plan and include all necessary stage approvals for the project. It will also include any float that has been identified during this process. **v5**: The development of the project plan is continuing with Wrightbus. Whilst Milestone 0 has not been achieved at the due date of 31/1/2010, TfL have had sight of the details and have identified contingency within the Wrightbus plan. They have brought forward a number of delivery milestones to ensure there is sufficient float at the end of the programme at the end of 2011.	OPEN TfL is working actively with Wrightbus to optimise the project plan and to identify any opportunities for contingency